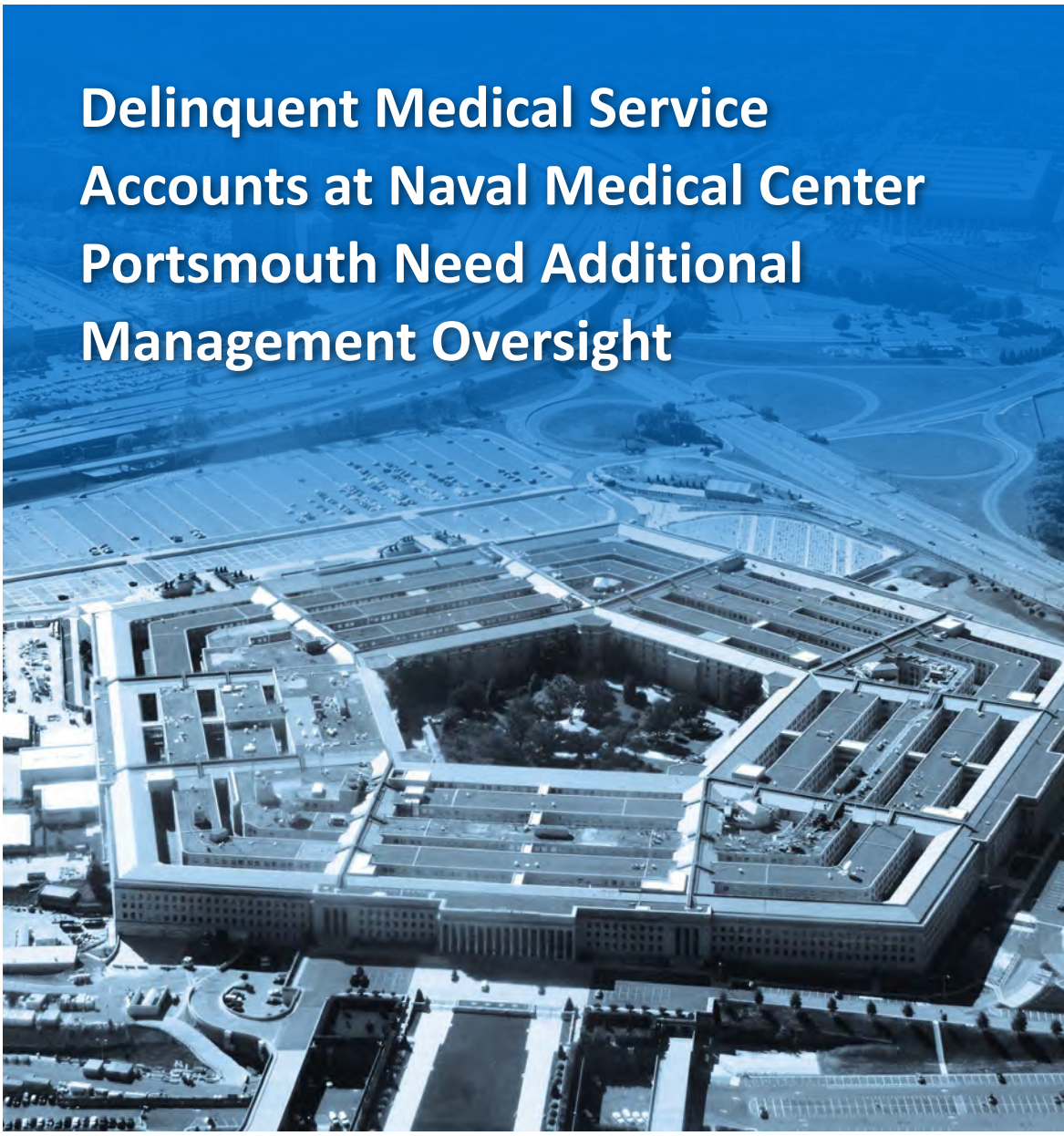
Report No. DODIG-2015-087

# INSPECTOR GENERAL

*U.S. Department of Defense*

MARCH 4, 2015

# Delinquent Medical Service Accounts at Naval Medical Center Portsmouth Need Additional Management Oversight



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# Report Documentation Page

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## Mission

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# Results in Brief

*Delinquent Medical Service Accounts at Naval Medical Center Portsmouth Need Additional Management Oversight*

**March 4, 2015**

## Objective

Our objective was to determine whether Naval Medical Center Portsmouth (NMCP) properly managed delinquent accounts more than 180 days delinquent (unpaid) by transferring the debt to the appropriate debt collection agency or by actively pursuing collection. This is the third in a series of reports concerning delinquent medical service accounts (MSAs). This report provides the results of our review performed at NMCP. We reviewed the 25 highest-dollar delinquent MSAs valued at $458,325.

## Finding

NMCP Uniform Business Office (UBO) management did not effectively manage delinquent MSAs. As of July 15, 2014, NMCP UBO had 1,533 outstanding MSAs, valued at $817,399. The accounts were more than 180 days delinquent but had not been transferred to the U.S. Treasury. NMCP UBO management did not transfer 22 of 25 accounts, valued at $370,953, to the U.S. Treasury for collection after the account was delinquent for 180 days. Further, NMCP UBO management did not actively pursue collection for 19 of the 25 delinquent MSAs, valued at $343,857. This occurred because, among other reasons, NMCP management did not have a system in place to monitor and notify staff of MSAs needing follow up, and did not comply with guidance requiring collection of complete and accurate patient information. As a result, NMCP UBO management missed opportunities to collect $770,746 in delinquent payments that could have been used for other valid needs. Unless

### *Finding (cont'd)*

NMCP UBO management improves collection efforts and takes prompt actions to collect the delinquent debt from the MSAs we reviewed and 1,508 other delinquent MSAs, NMCP UBO will continue to incur rising delinquent balances for future MSAs. NMCP UBO took corrective actions such as transferring claims to the U.S. Treasury and requesting status updates on claims awaiting Department of Veterans Affairs action.

## Recommendations

We recommend the Commander, NMCP, validate that the planned medical billing system will prioritize delinquent medical service accounts and alert the clerks as to which accounts require follow-up or establish procedures to fully utilize the Centralized Receivable Service offered by the U.S. Treasury.

We also recommend the Surgeon General, U.S. Navy Bureau of Medicine and Surgery, coordinate with the Assistant Secretary of Defense (Health Affairs), to discuss the reimbursement issues arising from Medicare and Department of Veterans Affairs (VA) claims, and assess whether further action can be taken.

Finally, we recommend the Assistant Secretary of Defense (Health Affairs) meet with the Department of Health and Human Services and VA to discuss difficulties NMCP has encountered with receiving reimbursement for services provided to Medicare and VA beneficiaries and identify a way forward to improve collections.

## Management Comments and Our Response

Comments from the Assistant Secretary of Defense (Health Affairs) addressed the specifics of the recommendation. However, the Surgeon General, U.S. Navy Bureau of Medicine and Surgery; and Commander, NMCP, did not provide comments on the report, therefore, we request comments in response to this report by April 3, 2015. Please see the Recommendations Table on the back of this page.

## *Recommendations Table*

| Management | Recommendations Requiring Comment | No Additional Comments Required |
|---|---|---|
| Assistant Secretary of Defense Health Affairs | | 3 |
| Surgeon General, U.S. Navy Bureau of Medicine and Surgery | 2 | |
| Commander, Naval Medical Center Portsmouth | 1.a, 1.b, 1.c, 1.d, 1.e, 1.f, 1.g, 1.h | |

Please provide Management Comments by April 3, 2015.

**INSPECTOR GENERAL**
**DEPARTMENT OF DEFENSE**
4800 MARK CENTER DRIVE
ALEXANDRIA, VIRGINIA 22350-1500

March 4, 2015

MEMORANDUM FOR ASSISTANT SECRETARY OF DEFENSE (HEALTH AFFAIRS)
DIRECTOR, DEFENSE HEALTH AGENCY
NAVAL INSPECTOR GENERAL

SUBJECT: Delinquent Medical Service Accounts at Naval Medical Center Portsmouth Need Additional Management Oversight (Report DODIG-2015-087)

We are providing this report for review and comment. Naval Medical Center Portsmouth Uniform Business Office management did not effectively manage delinquent medical service accounts. Unless Naval Medical Center Portsmouth Uniform Business Office acts to collect $770,746 in delinquent debt and improves its collection process, it will continue to incur rising delinquent balances for future medical service accounts. We conducted this audit in accordance with generally accepted government auditing standards.

We considered management comments on a draft of this report when preparing the final report. DoD Directive 7650.3 requires that recommendations be resolved promptly. Comments from the Assistant Secretary of Defense (Health Affairs) were responsive, and we do not require additional comments. However, the Surgeon General, U.S. Navy Bureau of Medicine and Surgery; and Commander, NMCP, did not provide comments on recommendations 1a through 2 of the report and we request comments in response to this report by April 3, 2015.

Please send a PDF file containing your comments to audcmp@dodig.mil. Copies of your comments must have the actual signature of the authorizing official for your organization. We cannot accept the /Signed/ symbol in place of the actual signature. If you arrange to send classified comments electronically, you must send them over the SECRET Internet Protocol Router Network (SIPRNET).

We appreciate the courtesies extended to the staff. Please direct questions to me at (703) 604-9187.

Michael J. Roark
Assistant Inspector General
Contract Management and Payments

# Contents

# Introduction

## Objective

Our objective was to determine whether Naval Medical Center Portsmouth (NMCP) effectively managed medical service accounts (MSAs) over 180 days delinquent. Specifically, we determined whether NMCP properly managed delinquent MSA accounts over 180 days by effectively transferring the debt to the appropriate debt collection agency or by actively pursuing collection.

This is the third in the series of reports on delinquent MSAs at selected military medical treatment facilities (MTFs). The two previous reports[1] provided the results from our review of MSAs at Brooke Army Medical Center and William Beaumont Army Medical Center. See Appendix A for the scope and methodology and prior coverage related to the audit objective. During the audit, we also identified emergency room registration nurses sharing Common Access Cards (CACs)[2] unrelated to the announced objective, see Appendix B for details.

## Background

### *Naval Medical Center Portsmouth*

NMCP is the oldest continuously running hospital in the Navy. With an annual budget of $499 million, NMCPs vision according to the center's website, is the first choice for the finest healthcare anytime, anywhere. The centers' mission, according to the center's website, is "First and Finest! Naval Medical Center Portsmouth is the pinnacle of joint military medical excellence." The medical center has a full-service emergency department and provides care to over 400,000 eligible beneficiaries in the surrounding area. In FY 2013, NMCP delivered over 3,300 newborns, had approximately 1.6 million outpatient visits, 14,680 inpatient admissions, and provided emergency care to 137 civilians.

NMCP UBO use MSAs to record billing and fee collection for medical and dental services from Uniformed Services[3] beneficiaries, emergency services to civilians, and other patients authorized for treatment at the center. MSAs include the primary-payer billing of individuals and other Government agencies for services rendered in military MTFs.

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[1] DoDIG Report No. DODIG-2014-101, "Delinquent Medical Service Accounts at Brooke Army Medical Center Need Additional Management Oversight," August 13, 2014, and DoDIG Report No. DODIG-2014-112, "Delinquent Medical Service Accounts at William Beaumont Army Medical Center Need Additional Management Oversight," September 16, 2014.

[2] The CAC is the standard identification for active duty uniformed service personnel, Selected Reserve, DoD civilian employees, and eligible contractor personnel, and provides access to DoD computer networks and systems.

[3] The Uniformed Services include: Army, Marine Corps, Navy, Air Force, Coast Guard, Public Health Service, and National Oceanic and Atmospheric Administration.

## U.S. Navy Bureau of Medicine and Surgery

The U.S. Navy Bureau of Medicine and Surgery (BUMED) is the headquarters command for Navy Medicine. BUMED provides policy and direction for the patient and family care vision, which is carried out by Navy, Marine Corps, and civilian personnel throughout the world. BUMED oversees 18 Naval medical centers and hospitals and 8 ambulatory care clinics.

## Assistant Secretary of Defense for Health Affairs

The Assistant Secretary of Defense for Health Affairs [ASD(HA)] is the principal advisor to the Secretary of Defense for all DoD health and force health protection policies, programs, and activities. ASD(HA) ensures the effective execution of the DoD medical mission by providing and maintaining readiness for medical services to support the members of the Military Services and others entitled to or eligible for DoD medical care and benefits.

## U.S. Treasury FedDebt

FedDebt is an online comprehensive debt management system that allows the UBO staff to directly upload delinquent claims for debts as low as $25. The system provides real-time visibility into the debt collection efforts and enables military MTF personnel to expedite processing.

## U.S. Treasury Centralized Receivables Service

The Centralized Receivables Service (CRS) is currently a pilot service that provides administrative support to assist Federal agencies in managing accounts receivable. CRS is the U.S. Department of Treasury's initiative to manage nontax accounts receivable on behalf of Federal agencies, which focuses on managing pre-delinquent debt and debt in the early stages of delinquency before it is eligible for Debt Management Services referral.

CRS assists with the seamless transfer of eligible delinquent debt to Debt Management Services for cross-servicing[4] as required under the Debt Collection Improvement Act of 1996. In addition, CRS:

- generates and mails invoices, delinquency notices and related documents as necessary;
- manages returned mail and telephone calls;
- accrues late payment interest and penalties;
- calls debtors;

[4] Cross-servicing is a consolidated government-wide program operated by Treasury's Debt Management Services to collect delinquent, nontax debt on behalf of federal agencies.

- resolves issues;
- processes electronic payments; and
- transfers delinquent debt (upon eligibility) to the Treasury Cross-Servicing program for collection.

Currently, agencies can participate in the pilot for free. All 26 Navy hospitals, medical centers, and ambulatory care clinics have access to the system, with 19, to include NMCP, actively using the system as of September 30, 2014.

## Review of Internal Controls

DoD Instruction 5010.40, "Managers' Internal Control Program Procedures," May 30, 2013, requires DoD organizations to implement a comprehensive system of internal controls that provides reasonable assurance that programs are operating as intended and to evaluate the effectiveness of the controls. We identified internal control weaknesses associated with the oversight process and patient data collection and verification in accordance with DoD 5010.40, which led to NMCP not effectively managing delinquent MSAs. We will provide a copy of the final report to the senior official responsible for internal controls in the Department of the Navy.

# Finding

## Naval Medical Center Portsmouth Did Not Effectively Manage Delinquent Medical Service Accounts

NMCP UBO management did not effectively manage delinquent MSAs. As of July 15, 2014, 1533 of NMCP MSAs, valued at $817,399, were more than 180 days delinquent. We reviewed the 25 highest-dollar delinquent MSAs, valued at $458,325, and found that NMCP UBO management did not transfer 22[5] of the 25 accounts, valued at $370,953, to the U.S. Treasury for collection after the account was delinquent for 180 days. Furthermore, NMCP UBO management did not actively pursue collection for 19 of the 25 delinquent MSAs, valued at $343,857.

The large numbers of delinquent MSAs, including the 25 sample items reviewed, existed because NMCP UBO management did not have a system in place to monitor the delinquent MSAs, prioritize aging accounts, and notify staff of the MSAs requiring follow-up. Additionally:

- NMCP management did not comply with DoD and Navy guidance requiring the collection of complete and accurate patient information before the patient was discharged; and
- NMCP and BUMED did not provide sufficient oversight by elevating difficulties in collection from Medicare and the Department of Veterans Affairs (VA) to the ASD(HA).

As a result, NMCP UBO management missed opportunities to collect $770,746[6] in delinquent payments due. Unless NMCP UBO management improves collection efforts and takes prompt and aggressive actions to collect the delinquent debt, among the MSAs reviewed and the other delinquent MSAs, NMCP UBO will continue to incur rising delinquent balances for future MSAs.

[5] One account was miscoded by registration nurses and spent approximately 1 year in failed collection attempts with the VA before the coding error was noted and transferred to UBO for processing. Two other accounts were North Atlantic Treaty Organization trainee's from Turkey that cannot be transferred to Treasury for collection.

[6] The missed opportunities to collect include the remaining delinquent balance of $411,672 of the sample reviewed after collections were made during our review and the outstanding balance of $359,074 of the other 1,508 MSAs not included in our sample.

## Management of Delinquent Medical Service Accounts Needs Improvement

NMCP UBO management did not transfer 1,530 of 1,533 delinquent accounts to the U.S. Treasury for collection and did not take aggressive action to perform timely follow-up for 19 of the 25 delinquent MSAs we sampled. We identified three delinquent MSAs that could not be transferred to the U.S. Treasury because two were related to North Atlantic Treaty Organization personnel and one was originally miscoded.

Public Law 104-134, "The Debt Collection Improvement Act of 1996," and the DoD Financial Management Regulation (FMR)[7] require agencies to transfer debts that received proper due process and are more than 180[8] days old to the U.S. Treasury for collection. The DoD FMR requires agencies to establish and maintain a debt management program to identify, recover, and collect debts individuals owe to the U.S. In addition, DoD components shall take prompt and aggressive action to recover and collect debts owed to DoD and shall pursue continuing follow-up actions, as necessary, to ensure that debts are collected. Table 1 illustrates the 19 MSAs reviewed that had no collection efforts for more than 6 months.[9]

*Table 1. Medical Service Accounts Reviewed with No Collection Efforts for 6 Months or More*

| Number | Account | Months With No Collection Efforts | Amount ($) |
|---|---|---|---|
| 1 | 4332074 | 11 | 50,807.25 |
| 2 | 4334276 | 11 | 47,400.61 |
| 3 | 4332078 | 7 | 27,725.62 |
| 4 | 4283860 | 30 | 27,655.94 |
| 5 | 4314772 | 17 | 26,792.60 |
| 6 | 4333654 | 8 | 19,395.53 |
| 7 | 4332454 | 12 | 14,560.86 |
| 8 | 4309841 | 24 | 14,467.58 |
| 9 | 4333672 | 11 | 12,880.82 |

[7] DoD FMR 7000.14-R, Volume 5, Chapter 28.

[8] On May 9 2014, Public Law 113-101 "Digital Accountability and Transparency Act of 2014" amended section 3716(C)(6) of title 31, United States Code by reducing the time period of 120 days. The universe of claims reviewed for this audit, however, had already exceeded the 180 day delinquent period, which also remained consistent with the 180 day requirement for the other reports in this series.

[9] We used 6 months as the cut off for timely collection efforts. This would allow time to account for mailings, insurance reviews, and other correspondence that may take time.

| Number | Account | Months With No Collection Efforts | Amount ($) |
|---|---|---|---|
| 10 | 4306407 | 19* | 11,966.75 |
| 11 | 4328384 | 11 | 11,957.90 |
| 12 | 4335884 | 8 | 11,711.03 |
| 13 | 4292423 | 27* | 10,078.64 |
| 14 | 4296726 | 29 | 10,078.64 |
| 15 | 4294422 | 28 | 9,782.99 |
| 16 | 4341464 | 7 | 9,478.00 |
| 17 | 4338235 | 8 | 9,058.33 |
| 18 | 4324643 | 12 | 9,028.84 |
| 19 | 4325808 | 6* | 9,028.84 |
| **Total** | | | **$343,856.77** |

* Identifies accounts with multiple instances of no collection efforts for 6 months or more. The number in the table identifies the largest period of no collection effort.

No action was taken on the patient's delinquent debt until 29 months later.

For the 19 accounts listed above, 6 to 30 months elapsed between collection efforts with either a patient or insurance company. For example, for account 4296726, the patient was discharged on July 18, 2011, with services rendered totaling $10,078.64. The patient was billed for the first time on September 28, 2011, and then no action was taken on the patient's delinquent debt until 29 months later. NMCP UBO eventually transferred the delinquent debt to U.S. Treasury on September 5, 2014. See Appendix C for a summary of the results for the 25 MSAs reviewed.

## System Needed to Manage and Prioritize Delinquent Medical Service Accounts

NMCP UBO management did not have a system in place to prioritize MSAs or alert clerks when an MSA was due for follow up. As new accounts were processed, the process used by NMCP could not manage or prioritize the aging MSAs or alert clerks of delinquent accounts requiring attention. Therefore, NMCP UBO did not take prompt and aggressive action to recover and collect debts owed to DoD and to pursue continuing follow-up actions, as necessary, to ensure that DoD collects debts owed. Additionally, NMCP personnel did not accurately identify MSAs to transfer to U.S. Treasury.

NMCP personnel stated the newly contracted system, Armed Forces Billing and Collection Utilization Solution,[10] will address the need to prioritize the aging MSAs and alert clerks of delinquent accounts requiring attention. However, the system has been delayed until June 2015. NMCP management should validate that the planned medical billing system will prioritize delinquent medical service accounts and alert the clerks as to which accounts require follow up.

In the interim, NMCP began using CRS on a limited basis for civilian emergency and high-dollar debts. From April 2014 through September 30, 2014, NMCP uploaded 114 accounts, valued at $256,371.72, into CRS and collected $99,147.30. However, without a permanent system to either perform the follow up function on behalf of NMCP or notify its NMCP UBO staff of MSAs requiring follow up, NMCP UBO will continue to have delinquent MSAs and risk missing the opportunity to collect on the delinquent MSAs. NMCP management should assess whether full implementation of CRS is in the best interest of NMCP and, if so, establish procedures to use the service offered by the U.S. Treasury. NMCP management should also review, research, and pursue collection on the remaining delinquent medical service accounts. NMCP management should develop interim procedures regarding the follow-up process for delinquent medical service accounts.

## Patient Data Verification Needed Before Discharge

NMCP management did not enforce existing guidance requiring the collection of accurate patient data before discharge. DoD 6010.15-M[11] requires NMCP to capture patient other health insurance data, credit card information, and other applicable means of reimbursement for healthcare service immediately upon outpatient visit or inpatient admission. In addition, NMCP, Standard Operating Procedure, "Patient Flow," requires that registration clerks verify all registration information and provide patients with the DD Form 2569, "Third Party Collection Program/Medical Service Account/Other Health Insurance." This form records patient demographic information and insurance information. NMCP UBO management, emergency room registration clerks, and Patient Administration Division (PAD) personnel did not always collect, enter, or verify complete and accurate patient information upon registration and before discharge. This contributed to the ineffective control of delinquent MSAs.

[10] The Armed Forces Billing and Collection Utilization Solution is a Military Health System-wide software system that combines all three medical billing programs. It should provide transparency within the Military Health System, enable process efficiencies, maximize value, and improve standardization, financial reporting and auditability.

[11] DoD 6010.15-M, "Military Treatment Facility Uniform Business Office Manual," November 2006.

During our MSA review, four of the delinquent MSAs, valued at $184,357.44, were entered inaccurately by NMCP personnel when admitting patients, resulting in incorrect patient category codes. Table 2 illustrates the four MSAs that had incorrect patient category codes.

*Table 2. Medical Service Accounts With Incorrect Patient Category Codes*

| Account | Original Balance | Original PATCAT | Corrected PATCAT |
|---|---|---|---|
| 4326027 | 58,423.96 | K61 | K92 |
| 4332074 | 50,807.25 | K61 | K92 |
| 4334276 | 47,400.61 | K61 | K92 |
| 4332078 | 27,725.62 | K61 | K92 |
| **Total** | **$184,357.44** | | |

The incorrect patient category codes occurred because emergency room registration clerks did not ensure accurate entry of patient demographic data. NMCP personnel also explained that if a patient provided a Veterans Affairs card, emergency room registration nurses coded the patient as a K61, which was only for DoD/VA sharing patients. If patients are at the emergency room for care outside of the sharing agreement,[12] they should be coded as a K92 (Civilian Emergency). The incorrect patient category codes resulted in the VA or correct payer not receiving a bill with the correct information, which resulted in delayed payments. In these four cases, the incorrect patient category code resulted in the bill being sent to the VA under the resource sharing agreement rate incorrectly. Since the care provided was outside the sharing agreement,[13] the patient should have been under the civilian emergency rate and billed appropriately.

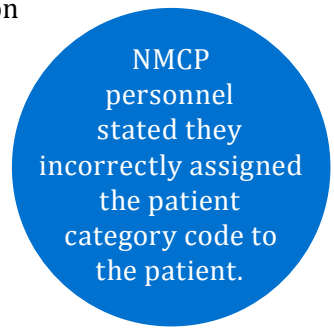
NMCP management did not enforce policies or procedures to ensure that the emergency room registration clerks collected and entered accurate patient demographic data. In addition, patients were not required to physically check

[12] In August 2010, NMCP and Hampton Veterans Affairs Medical Center entered into a sharing agreement in which each facility will be a preferred sharing partner for services provided to the others' beneficiaries and the services provided would be reimbursed at a rate less than comparable regional commercial sources.

[13] The sharing agreement is to promote cost-effective use of federal healthcare resources by minimizing duplication and underuse of healthcare resources while benefiting both VA and DoD beneficiaries.

out before discharge with PAD, and there are no current policies that require PAD personnel to ensure all demographic information was complete and accurate. Finally, while on site, we observed three patients arrive at the NMCP emergency room registration clerk's desk and were not provided with DD Form 2569.

As a result, NMCP management missed opportunities to improve patient data information and collections. For example, for account 4326027, a patient arrived at NMCP emergency room on March 3, 2013, and was discharged on March 23, 2013. NMCP personnel stated they incorrectly assigned the patient category code K61 to the patient and it was not until June 2014 that the information was identified as incorrect and the patient category code was corrected to K92. After the patient category code was corrected, the claim was reprocessed and submitted to the VA for payment, where it is still waiting to be processed. NMCP management should establish procedures to validate the staff collect accurate and complete demographic and billing patient information before patient discharge. NMCP management should establish procedures documenting the registration of patients. NMCP management should establish procedures documenting the admission and discharge processes of patients, including Civilian Emergencies.




## Additional Oversight Needed for Reimbursements

NMCP, BUMED, and ASD(HA) management should have provided additional oversight and direction regarding the MSAs that were denied by Medicare and VA. Five of the delinquent MSAs, valued at $66,802.69, were for medical services provided by NMCP to a VA or Medicare beneficiary and were denied for payment by either the VA or Medicare. These denials resulted in instances in which the only option was for NMCP to bill the patient. Table 3 illustrates the five MSAs that were denied and the denial reason.

*Table 3. Medical Service Accounts Denied for Payment by VA and Medicare*

| Account | Original Balance | Denied By | Denial Reason |
|---|---|---|---|
| 4333654 | 19,395.53 | MEDICARE | Missing or invalid beneficiary Health Insurance Claim number |
| 4309841 | 14,467.58 | Veterans Affairs | Untimely Filing |
| 4335884 | 11,711.03 | Veterans Affairs | Emergency Room visit was not considered to be an emergency |
| 4325200 | 11,136.83 | MEDICARE | Military facility not covered for treatment; only Emergency Room was covered |
| 4338034 | 10,091.72 | Veterans Affairs | Missing/invalid Current Procedural Terminology/ Healthcare Common Procedure Coding System code |
| **Total** | **$66,802.69** | | |

Collections did not occur because NMCP UBO management did not sufficiently raise concerns to BUMED, whom should have alerted Defense Health Agency management for additional assistance.[14] As a result, NMCP UBO management continued to miss opportunities to improve collections on denied claims.

NMCP management should have provided additional oversight and direction to NMCP UBO when Medicare or VA denied payment on emergency room visits. For example, for account 4335884, a patient was discharged from NMCP on September 18, 2013, with a debt of $11,711.03 for the medical services that were provided. NMCP UBO billed the patient's insurance (the VA) on October 10, 2013; however, the VA denied the payment on December 11, 2013, because it did not consider the patient's emergency room visit to be an emergency, and a VA facility was available to provide the care. NMCP management should have provided additional oversight and direction to NMCP UBO when the claims were denied and the denial may not have been warranted.

The VA denied the payment on December 11, 2013, because it did not consider the patient's emergency room visit to be an emergency.

[14] In addition, we also identified three delinquent MSAs, valued at $37,983.64, that were denied by the patient other health insurance providers. These claims were denied for reasons such as untimely filing, services not being consistent with the symptom, and the bill not lining up with automated scanning software.

NMCP UBO staff allowed MSAs to sit idle for periods of time ranging from 62 to 503 days, while waiting processing by VA, resulting in these accounts becoming delinquent. Eight of 25 MSAs reviewed, valued at $188,676.54, were waiting to be processed for payment by VA. Table 4 illustrates the 8 MSAs that were waiting for processing by VA, the date the account was provided to VA, and the amount of time the claim has been waiting processing.

*Table 4. Medical Service Accounts Awaiting Processing by Veterans Affairs*

| Account | Current Amount Outstanding | Date sent to VA | Days awaiting processing from VA (from date of first mail) |
|---|---|---|---|
| 4326027 | 58,423.96 | 7/9/2014 | 62 |
| 4332074 | 50,807.25 | 9/30/2013 | 344 |
| 4332078 | 27,725.58 | 7/16/2013 | 420 |
| 4340256 | 14,198.20 | 1/8/2014 | 244 |
| 4338034 | 10,091.72 | 1/9/2014 | 243 |
| 4341464 | 9,326.08 | 2/7/2014 | 214 |
| 4338235 | 9,074.87 | 12/26/2013 | 257 |
| 4324643 | 9,028.84 | 4/24/2013 | 503 |
| **Total** | **$188,676.50** | | |

These claims continue to remain delinquent and open because NMCP UBO management did not sufficiently raise concerns to BUMED, whom should have alerted Defense Health Agency management for additional assistance.

NMCP management should have provided additional oversight and direction to NMCP UBO when accounts remained awaiting processing by the VA. For example, account 4324643, the patient was discharged on February 8, 2013, and the VA was initially billed for the medical services provided in April 2013, valued at $9,028.84. NMCP personnel did not perform any follow-up actions for payment collection until they rebilled the VA in February 2014. The VA informed them in March 2014 that they received the bill and would process it. Currently, the delinquent MSA is still waiting for processing by the VA for a combined total of 503 days. As a result, NMCP UBO management continued to miss opportunities to improve collections on claims where they remain open and awaiting processing by VA and, therefore, are noncompliant with Public Law 104-134 and DoD FMR. To adequately pursue collection of these claims waiting for processing,

The delinquent MSA is still waiting for processing by the VA for 503 days.

NMCP management should request assistance from the Surgeon General, U.S. Navy Bureau of Medicine and Surgery, to address the claim denials with Medicare and the Department of Veterans Affairs and the claims that are waiting for processing from the Department of Veterans Affairs and develop a way forward to improve collections. The Surgeon General, U.S. Navy Bureau of Medicine and Surgery, should coordinate with the Assistant Secretary of Defense (Health Affairs) to discuss the reimbursement delays and denials arising from Medicare and Department of Veterans Affairs Claims, and assess whether further action is required. The Assistant Secretary of Defense (Health Affairs) should meet with Department of Health and Human Services and the Department of Veterans Affairs to discuss the difficulties Naval Medical Center Portsmouth has encountered with receiving reimbursement for services provided to Medicare and Veterans Affairs beneficiaries to identify a way forward to improve collections.

## Management Corrective Actions

During the course of the audit, NMCP management took the following actions, as they relate to the 25 MSAs reviewed, to collect on existing debt.

- Transferred eight accounts totaling $140,947.27 to FedDebt.
- Obtained a total payment of $9,201.23 from a foreign embassy for a North Atlantic Treaty Organization patient.
- Excluded charges for a patient with a Secretary of the Navy Designee Letter totaling $27,725.62.
- Obtained a point of contact at VA Salem and requested a status update on eight accounts pending VA action.

## Conclusion

NMCP UBO management missed opportunities to maximize collections for $411,672 worth of delinquent payments due on the 25 highest-dollar MSAs. These funds could have been applied to other valid requirements such as administrative, operating, and equipment costs; readiness training; or trauma consortium activities. Unless NMCP improves collection procedures and takes prompt and aggressive action to pursue and attempt collection of the delinquent debt among the MSAs reviewed and the $359,074 worth of other delinquent MSAs, NMCP UBO will continue to incur rising delinquent balances for future MSAs. See Appendix D for details on potential monetary benefits.

# Recommendations , Management Comments, and Our Response

## *Recommendation 1*

**We recommend that Commander, Naval Medical Center Portsmouth:**

a. **Validate that the planned medical billing system will prioritize delinquent medical service accounts and alert the clerks as to which accounts require follow up.**

b. **Assess whether full implementation of Centralized Receivable Service is in the best interest of Naval Medical Center Portsmouth and, if so, establish procedures to use the service offered by the U.S. Treasury.**

c. **Review, research, and pursue collection on the remaining open delinquent medical service accounts.**

d. **Develop interim procedures regarding the follow up process for delinquent medical service accounts.**

e. **Establish procedures to validate the staff collect accurate and complete demographic and billing patient information before patient discharge.**

f. **Establish procedures documenting the registration of patients.**

g. **Establish procedures documenting the admission and discharge processes of patients, including Civilian Emergencies.**

h. **Request assistance from the Surgeon General, U.S. Navy Bureau of Medicine and Surgery to address the claim denials with Medicare and the Department of Veterans Affairs and the claims that are waiting for processing from the Department of Veterans Affairs and develop a way forward to improve collections.**

### *Management Comments Required*

The Commander, Naval Medical Center Portsmouth, did not provide comments on the recommendations. We request that the Commander provide comments on the final report.

## Recommendation 2

**We recommend that Surgeon General, U.S. Navy Bureau of Medicine and Surgery, coordinate with the Assistant Secretary of Defense (Health Affairs) to discuss the reimbursement delays and denials arising from Medicare and Department of Veterans Affairs Claims, and assess whether further action is required.**

### *Management Comments Required*

The Surgeon General, U.S. Navy Bureau of Medicine and Surgery, did not provide comments on the recommendation. We request that the Surgeon General, U.S. Navy Bureau of Medicine and Surgery, provide comments on the final report.

## Recommendation 3

**We recommend that Assistant Secretary of Defense (Health Affairs) meet with Department of Health and Human Services and the Department of Veterans Affairs to discuss the difficulties Naval Medical Center Portsmouth has encountered with receiving reimbursement for services provided to Medicare and Veterans Affairs beneficiaries to identify a way forward to improve collections.**

### *Assistant Secretary of Defense (Health Affairs) Comments*

The Assistant Secretary of Defense (Health Affairs) agreed, stating that his office is currently coordinating with the Deputy Secretary of Veterans Affairs, who has directed the Veteran's Health Administration to reconcile Veterans Affairs outstanding payments to DoD with a special focus on fiscal year 2014 for all medical treatment facilities. The Assistant Secretary of Defense (Health Affairs) also stated that his office will contact the Department of Health and Human Services to discuss the difficulties Naval Medical Center Portsmouth has encountered with receiving reimbursement for claims that were denied for invalid reasons.

### *Our Response*

Comments from the Assistant Secretary of Defense (Health Affairs) addressed all specifics of the recommendation, and no further comments are required.

# Appendix A

## Scope and Methodology

We conducted this performance audit from August 2014 through January 2015 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient and appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusion based on our audit objective.

## Review of Documentation and Interviews

To obtain information and source documentation on delinquent MSA debt and collection efforts at NMCP, we interviewed personnel from:

- the office of the Assistant Secretary of Defense for Health Affairs;
- the U.S. Treasury Financial Management Services;
- BUMED; and
- NMCP.

During the site visit to NMCP, we observed daily procedures performance by personnel and examined key documents related to the audit objective.

We obtained, reviewed, and analyzed Federal, DoD, and Navy local guidance related to delinquent MSA debt and collection efforts at NMCP. We focused our review on:

- Public Law 104-134, section 31001, "Debt Collection Improvement Act of 1996;"
- DoD Financial Management Regulation Volume 5, Chapter 28, "Management and Collection of Individual Debt," November 2012; and
- DoD 6010-15-M, "Military Treatment Facility Uniform Business Office Manual," November 2006.

Our review included NMCP MSAs that were open for more than 180 days from October 27, 2010, through January 13, 2014. Those MSAs represented a universe of 1,533 accounts, valued at $817,399.12, that were more than 180 days old. According to Department of Navy Form 7270, "Hospital Invoice and Receipt," bill payment is due upon receipt. If payment is not received for a debt within 30 days

of hospital discharge or outpatient date of service, the account is subject to referral to higher authority for collection action. We considered these MSAs delinquent because the balance owed to NMCP was not paid in full, which was after 180 days from date of discharge, at the time we received the data from BUMED.

We nonstatistically selected the top 25 MSAs based on highest outstanding balances, valued at $458,324.74. For the 25 MSAs reviewed, we identified the current state of the delinquent MSA debt at NMCP during out site visit in September 2014. We continued monitoring the status of the collection efforts and correction of errors for the MSAs throughout our review. We compared the MSA to applicable Federal, DoD, and local guidance to determine compliance related to collection efforts. We did not review the 1,508 remaining MSAs in our universe for complete compliance with Treasury regulations regarding whether the MSA was eligible for transfer to Treasury.

## Use of Computer-Processed Data

We relied on computer-processed data to support our findings and conclusion. Specifically, we relied on managements' summary level delinquent MSA data from the Composite Health Care System to select 25 delinquent MSAs with the highest outstanding balance.

To assess the reliability of the outstanding balances, we compared the amount owed for all 25 MSAs to the:

- medical procedure documentation;
- patient information;
- hospital generated bills;
- staff notes and documentation on attempted collections; and
- delinquent letters and other types of patient contact for collection.

We found no errors with those balances. Based on this information, we determined that the data were sufficient reliable for purposes of this report.

## Use of Technical Assistance

The Quantitative Methods Division reviewed audit documentation and advised us on the validity of the nonstatistical sample selected.

## Prior Coverage

During the last 5 years, the Department of Defense Inspector General (DoD IG), Army Audit Agency and Air Force Audit Agency issued five reports discussing difficulty in obtaining reimbursements for services rendered. Unrestricted DoD IG reports can be accessed at http://www.dodig.mil/pubs/index.cfm. Unrestricted Army Audit Agency reports can be accessed from .mil and gao.gov domains at https://www.aaa.army.mil/. Unrestricted Air Force Audit Agency reports can be accessed from https://www.efoia.af.mil/palMain.aspx by clicking on Freedom of Information Act Reading Room and then selecting audit reports.

### *DoD IG*

DODIG-2014-112, "Delinquent Medical Service Accounts at William Beaumont Army Medical Center Need Additional Management Oversight," September 16, 2014

DODIG-2014-101, "Delinquent Medical Service Accounts at Brooke Army Medical Center Need Additional Management Oversight," August 13, 2014

### *Army*

A-2012-0032-IEM, "Followup Audit of Trauma Services Cooperative Agreement Brooke Army Medical Center," December 20, 2011

### *Air Force*

F2012-0001-FB3000, "Services Medical Activity – Air Force: Out-Of-Service Debt," October 3, 2011

F2011-0039-FCW000, "Services Medical Activity – Air Force Accounts Receivable Out-Of-Service Debt 88th Air Base Wing Wright-Patterson AFB OH," July 19, 2011

# Appendix B

## Naval Medical Center Portsmouth Emergency Medicine Department Registration Nurses Shared Common Access Cards

During the site visit, we observed two Emergency Department registration nurses using the same Common Access Card (CAC). One of the nurses went to lunch and the other continued using the same workstation with the absent nurse's CAC. We notified the Department Chair of Emergency Medicine, as well as the Assistant Department Head of Emergency Medicine, while we were in the Emergency Department. They directed us to NMCP Emergency Medicine Department Standard Operating Procedure Manual #45, "HIPAA[15] Compliance Protection for Emergency Medicine Department Workstation and Healthcare Employee Common Access Card." According to the policy, before going on scheduled breaks (including lunch), Emergency Medicine Department healthcare workers are required to log off and remove their CACs before leaving the area. This security safeguard technique respects the requirements specified by the policy.

In addition to the NMCP Emergency Medicine Department Standard Operating Procedure Manual, we also found guidance related to CAC use in the United States Code[16] and a DoD Instruction.[17] The United States Code describes penalties for those who willfully allow others to have or use their CAC. The DoD Instruction states that an ID card shall be in the personal custody of the individual to whom it was issued at all times. Based on our observations on site at NMCP, Emergency Department registration nurses were not in compliance with these guidelines.

We discussed our concerns with NMCP management at the Command exit conference. After we left, departmental leaders held refresher training for the Emergency Medicine Department staff on the CAC standard operating procedure. In addition, the individuals we observed were counseled.

[15] Health Insurance Portability and Accountability Act of 1996.

[16] Section 499, title 18, United States Code (1994), "Military, naval or official passes."

[17] DoD Instruction 1000.13, "Identification Cards for Members of the Uniformed Services, Their Dependents, and Other Eligible Individuals" January 23, 2014.

# Appendix C

## Results of the 25 Medical Service Accounts Reviewed

| Number | Account | Balance ($) | Compliance with Public Law 104-134 | Compliance with DoD FMR V5 Ch 28 Regarding Aggressive Collection | Claim Denied | Awaiting VA Processing |
|---|---|---|---|---|---|---|
| 1 | 4326027 | $58,423.96 | Yes | Yes | No | Yes |
| 2 | 4332074 | 50,807.25 | No | No | No | Yes |
| 3 | 4334276 | 47,400.61 | No | No | No | No |
| 4 | 4332078 | 27,725.62 | No | No | No | Yes |
| 5 | 4283860 | 27,655.94 | No | No | No | No |
| 6 | 4314772 | 26,752.60 | No | No | No | No |
| 7 | 4333654 | 19,395.53 | No | No | Yes | No |
| 8 | 4332454 | 14,560.86 | No | No | Yes | No |
| 9 | 4309841 | 14,467.58 | No | No | Yes | No |
| 10 | 4340256 | 14,198.20 | No | Yes | No | Yes |
| 11 | 4333672 | 12,880.82 | No | No | No | No |
| 12 | 4306407 | 11,966.75 | No | No | Yes | No |
| 13 | 4328384 | 11,957.90 | No | No | No | No |
| 14 | 4335884 | 11,711.03 | No | No | Yes | No |
| 15 | 4341933 | 11,456.03 | No | Yes | Yes | No |
| 16 | 4325200 | 11,136.83 | No | Yes | Yes | No |
| 17 | 4338034 | 10,091.72 | No | Yes | Yes | Yes |
| 18 | 4292423 | 10,078.64 | No | No | No | No |
| 19 | 4296726 | 10,078.64 | No | No | No | No |
| 20 | 4294422 | 9,782.99 | Yes | No | No | No |
| 21 | 4341464 | 9,478.00 | No | No | No | Yes |
| 22 | 4341079 | 9,201.23 | Yes | Yes | No | No |
| 23 | 4338235 | 9,058.33 | No | No | No | Yes |
| 24 | 4324643 | 9,028.84 | No | No | No | Yes |
| 25 | 4325808 | 9,028.84 | No | No | No | No |
| **Total** | | **$458,324.74** | | | | |

# Appendix D

## Potential Monetary Benefits Table

| Recommendation | Type of Benefit* | Amount of Benefit | Account |
|---|---|---|---|
| 1c | Economy and Efficiency. NMCP collection of delinquent debts for services rendered could be used for administrative, operating, and equipment costs; readiness training; or trauma consortium activities. | Total Benefit, $770,746 | 97 50130 1882 (DHP O&M) |

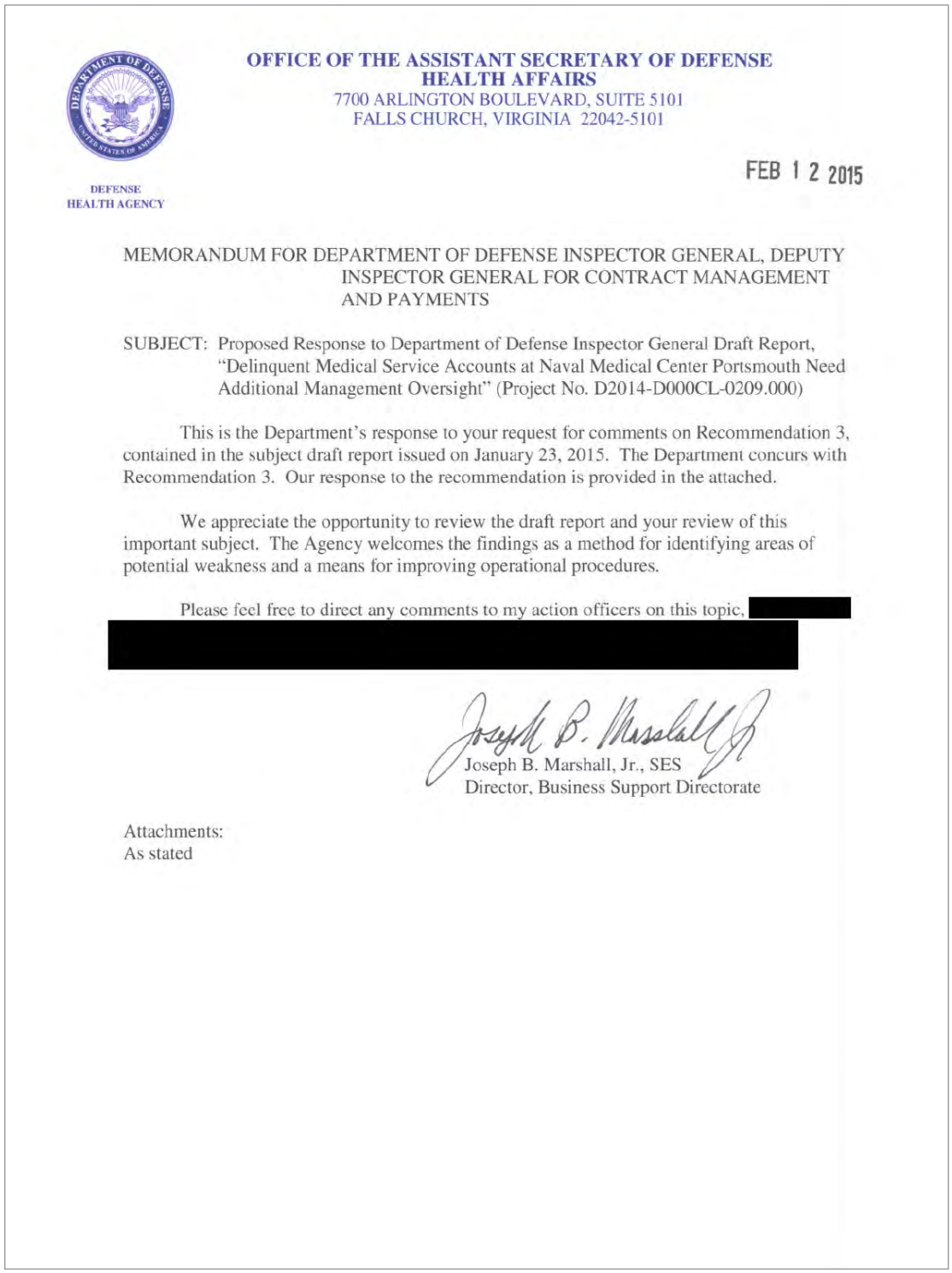
*Potential monetary benefits are funds put to better use or questioned costs

**LEGEND**

DHP O&M Defense Health Program Operations and Maintenance
NMCP Naval Medical Center Portsmouth

# Management Comments

## Assistant Secretary of Defense (Health Affairs)



DEFENSE HEALTH AGENCY

**OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE**
**HEALTH AFFAIRS**
7700 ARLINGTON BOULEVARD, SUITE 5101
FALLS CHURCH, VIRGINIA 22042-5101

FEB 1 2 2015

MEMORANDUM FOR DEPARTMENT OF DEFENSE INSPECTOR GENERAL, DEPUTY INSPECTOR GENERAL FOR CONTRACT MANAGEMENT AND PAYMENTS

SUBJECT: Proposed Response to Department of Defense Inspector General Draft Report, "Delinquent Medical Service Accounts at Naval Medical Center Portsmouth Need Additional Management Oversight" (Project No. D2014-D000CL-0209.000)

This is the Department's response to your request for comments on Recommendation 3, contained in the subject draft report issued on January 23, 2015. The Department concurs with Recommendation 3. Our response to the recommendation is provided in the attached.

We appreciate the opportunity to review the draft report and your review of this important subject. The Agency welcomes the findings as a method for identifying areas of potential weakness and a means for improving operational procedures.

Please feel free to direct any comments to my action officers on this topic, [redacted]

Joseph B. Marshall, Jr., SES
Director, Business Support Directorate

Attachments:
As stated

# Assistant Secretary of Defense (Health Affairs) (cont'd)

**DEPARTMENT OF DEFENSE OFFICE OF THE INSPECTOR GENEAL**
**DRAFT REPORT – DATED JANUARY 23, 2015**
**PROJECT NO. D2014-D000CL-0209.000**
**"DELINQUENT MEDICAL SERVICE ACCOUNTS AT NAVAL MEDICAL CENTER PORTSMOUTH NEED ADDITIONAL MANAGMENET OVERSIGHT"**

**DEPARTMENT OF DEFENSE COMMENTS**
**TO THE RECOMMENDATIONS**

**RECOMMENDATION 3:** We recommend that Assistant Secretary of Defense (Health Affairs) meet with Department of Health and Human Services and the Department of Veteran Affairs to discuss the difficulties Naval Medical Center Portsmouth has encountered with receiving reimbursement for services provided to Medicare and Veteran Affairs beneficiaries to identify a way forward to improve collections.

**DOD RESPONSE:**
The Department concurs with the recommendation. In response to ongoing work to resolve reimbursement issues, the Deputy Secretary of Veteran Affairs (VA) in a letter to the Secretary of Defense (dated October 2, 2014), directed the Veteran's Health Administration (VHA) to reconcile VA's outstanding payments to DoD with a special focus on fiscal year 2014. The Department is actively engaged with the Department of VA to improve reimbursement to DoD for medical services, not only at Portsmouth Naval Medical Treatment Facilities (MTF) but all DOD MTFs. VHA financial staff has been working with DoD Health Affairs financial staff to accomplish this task. The joint team is finalizing a long-term solution to ensure reimbursements going between the Departments are handled uniformly and expeditiously.

Regarding claims with the Department of Health and Human Services, the Defense Health Agency will first contact representatives at Naval Medical Center Portsmouth to determine if the denied claims have been denied for valid reasons. If it is found the denials are not valid, the Defense Health Agency will initiate contact with the Department of Health and Human Services to discuss the difficulties Naval Medical Center Portsmouth has encountered with receiving reimbursement for services provided to Medicare eligible patients.

# Acronyms and Abbreviations

| | |
|---|---|
| **ASD(HA)** | Assistant Secretary of Defense (Health Affairs) |
| **BUMED** | U.S. Navy Bureau of Medicine and Surgery |
| **CAC** | Common Access Card |
| **CRS** | Centralized Receivables Service |
| **DoD FMR** | DoD Financial Management Regulation |
| **MSA** | Medical Service Account |
| **MTF** | Medical Treatment Facility |
| **NMCP** | Naval Medical Center Portsmouth |
| **PAD** | Patient Administration Division |
| **UBO** | Uniform Business Office |
| **VA** | Department of Veterans Affairs |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